South Coast Development Agency

South Coast Development Agency NPC
(Registration number 2002/030541/08)
Annual Financial statements
for the year ended 30 June 2016

South Coast Development Agency NPC
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

General information

Board of Directors

Dr. Sipho Nzimande	
Joy Crutchfield	
Sandile Dlomo	
Vijay Naidoo	
Hopson Shezi	Deceased - 12 May 2016
Lindelani Shezi	
Bongekile Zulu	
Dr. Ephraim Zungu	
Zonke Mthuli	Appointed - 26 November 2015

All the directors were appointed on 1 July 2015, with the exception of Zonke Mthuli.

Chief Executive Officer (Acting)

Ms EJ Crutchfield

Finance Manager

Mr KMN Duma

Auditors

Auditor-General

Bankers

Absa Bank

South Coast Development Agency NPC
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

DIRECTORS REPORT

The directors present their report, which forms part of the audited annual financial statements of the South Coast Development Agency NPC for the year ended 30 June 2016.

1. Review of activities

Main business and operations

South Coast Development Agency (SCDA) is a municipal entity of the Ugu District Municipality. It is mandated to implement the Growth & Development Strategy, Investment Promotion & Facilitation Strategy, sustainable economic development and catalytic projects within the district. During the year under review, SCDA received financial support from Ugu District Municipality and Hibiscus Coast Municipality.

2. Events after the reporting period

Refer to note 28 for details.

3. Directors

The directors of the company during the year and to the date of this report are as follows:

	Appointed	No of meetings attended
Dr. Sipho Nzimande	01 July 2015	10
Joy Crutchfield	01 July 2015	11
Sandile Dlomo	01 July 2015	10
Vijay Naidoo	01 July 2015	10
Hopson Shezi (Deceased - 12 May 2016)	01 July 2015	7
Lindelani Shezi	01 July 2015	10
Bongekile Zulu	01 July 2015	5
Dr. Ephraim Zungu	01 July 2015	8
Zonke Mthuli	26 November 2015	5
Ugu District Municipality Observers:		
Cllr. Gumede		1
Zakithi Mbonane		9
Sipho Khuzwayo		3
DD Naidoo		2

Meetings include Board, Board Committee, Strategic and Mandate sessions.

4. Secretary

The company had no secretary during the year.

5. Auditors

Auditor-General will continue as the auditors in accordance with section 90 of the Companies Act 71 of 2008.

6. Expression of appreciation

We are grateful to the directors and the Audit Committee for the the support extended during the financial year. A special word of thanks to all staff who assisted with the collation of year-end information necessary for the compilation of these annual financial statements.

7. Approval of the financial statements

The financial statements set out on pages 6 to 38, which have been prepared on the going concern basis, were approved by the board of directors on 25 August 2016 and were signed on their behalf by:

ON BEHALF OF CHAIRPERSON

Chairperson

Chief Executive Officer (Acting)

South Coast Development Agency NPC
Statement of Financial Position
as at 30 June 2016

	Note	2016	2015
		R	R
ASSETS			
Current assets		**4 077 247**	**2 059 575**
Cash and cash equivalents	2	4 061 247	133 283
Trade and other receivables from non-exchange transactions	3	16 000	1 800 000
VAT receivable	7	-	126 292
Non-current assets		**295 480**	**202 621**
Property, plant and equipment	4	274 155	178 358
Intangible assets	5	21 325	24 263
Total assets		**4 372 728**	**2 262 196**
LIABILITIES			
Current liabilities		**1 170 548**	**885 299**
Trade and other payables from exchange transactions	6	117 439	636 408
VAT payable	7	344 097	-
Current provisions	8	237 808	243 880
Unspent conditional grants and receipts	9	468 257	-
Operating lease liability	10	2 947	5 011
Total liabilities		**1 170 548**	**885 299**
Net assets		**3 202 180**	**1 376 897**
EQUITY			
Accumulated surplus		3 202 180	1 376 897
TOTAL EQUITY		**3 202 180**	**1 376 897**

South Coast Development Agency NPC
Statement of Changes in Net Assets
as at 30 June 2016

		Note	Accumulated Surplus	Total: Net Assets
			R	R
Balance at 30 June	**2014**		**1 182 998**	1 182 998
Surplus for the period			193 899	193 899
Balance at 30 June	**2015**		**1 376 897**	**1 376 897**
Surplus for the period			1 825 283	1 825 283
Balance at 30 June	**2016**		**3 202 180**	**3 202 180**

South Coast Development Agency NPC

Statement of Comparison of Budget and Actual Information

as at 30 June 2016

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	2 016											2 015
	R	R	R	R	R	R	R	R	R	R	R	R
Financial Performance												
Dev Grant Hibiscus	(1 600 000)	-	(1 600 000)	-	-	(1 600 000)	(1 600 000)	-	-	100%	100%	(1 600 000)
Dev Grant Ugu	(5 000 000)	(2 750 000)	(7 750 000)	-	-	(7 750 000)	(5 250 000)	-	2 500 000	68%	105%	(5 000 000)
Conditional Grant (USCT)	-	(500 000)	(500 000)	-	-	(500 000)	(31 743)	-	468 257	6%	0%	-
Investment revenue	(50 000)	(50 000)	(100 000)	-	-	(100 000)	(138 555)	-	(38 555)	139%	277%	(38 876)
Other own revenue	-	-	-	-	-	-	(10 946)	-	(10 946)	-	0%	(85 523)
Project Management Fees	-	(15 000)	(15 000)	-	-	(15 000)	(68 229)	-	(53 229)	-	0%	-
Total Revenue (excluding capital transfers and contributions)	**(6 650 000)**	**(3 315 000)**	**(9 965 000)**	-	-	**(9 965 000)**	**(7 099 472)**	-	**2 865 528**	**71%**	**107%**	**(6 724 401)**
Employee costs	3 196 912	1 418 953	4 615 865	-	-	4 615 865	3 314 805	-	(1 301 060)	72%	104%	3 436 437
Directors' fees	265 000	144 070	409 070	-	-	409 070	437 091	-	28 021	107%	165%	300 413
Depreciation & asset impairment	47 700	2 300	50 000	-	-	50 000	35 723	-	(14 277)	71%	75%	39 644
Finance charges	-	-	-	-	-	-	4	-	4	-	0%	-
Loss on sale of assets	-	-	-	-	-	-	8 939	-	8 939	-	0%	-
Other expenses	2 648 022	1 735 824	4 383 846	-	-	4 383 846	1 477 625	-	(2 906 221)	34%	56%	2 753 987
Total Expenditure	**6 157 634**	**3 301 147**	**9 458 781**	-	-	**9 458 781**	**5 274 188**	-	**(4 184 593)**	**56%**	**86%**	**6 530 461**
Surplus/(Deficit)	**(492 366)**	**(13 853)**	**(506 219)**	-	-	**(506 219)**	**(1 825 284)**	-	**(1 319 065)**	**361%**	**371%**	**(193 920)**
Transfers recognised - capital	-	-	-	-	-	-	-	-	-	-	0%	-
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-	0%	-
Surplus/(Deficit) after capital transfers & contributions	**(492 366)**	**(13 853)**	**(506 219)**	-	-	**(506 219)**	**(1 825 284)**	-	**(1 319 065)**	**361%**	**371%**	**(193 920)**
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	0%	-
Surplus/(Deficit) for the year	**(492 366)**	**(13 853)**	**(506 219)**	-	-	**(506 219)**	**(1 825 284)**	-	**(1 319 065)**	**361%**	**371%**	**(193 920)**
Capital expenditure & funds sources												
Capital expenditure												
Transfers recognised - capital	30 000	102 500	132 500	-	-	132 500	137 523	-	5 023	104%	458%	
Total sources of capital funds												
Cash flows												
Net cash from (used) operating							4 067 550					(1 579 491)
Net cash from (used) investing							(137 522)					(16 383)
Net cash from (used) financing							(2 064)					(527)
Net cash flow movement for the year							**3 927 964**					**(1 596 401)**

1 ACCOUNTING POLICIES

1,1 BASIS OF ACCOUNTING

BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipal entity.

GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipal entity will continue to operate as a going concern for at least the next 12 months.

COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE

The following GRAP standards have been issued and effective and have been adopted by the municipal entity:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits

An increase in the carrying amount of an asset as a result of a revalutation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

DEPRECIATION

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciable amount is determined after taking into account an asset's residual value, where applicable. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	Average useful life
Furniture and fittings	6 - 10 years
Computer equipment	3 - 8 years
Office equipment	5 - 10 years

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

IMPAIRMENT

Refer to accounting policy number 1,21

DERECOGNITION

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1,3 HERITAGE ASSETS

INITIAL RECOGNITION

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset shall be recognised as an asset if, and only if:

(a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and

(b) the cost or fair value of the asset can be measured reliably.

INITIAL MEASUREMENT

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset has been acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

SUBSEQUENT MEASUREMENT

Heritage assets are not depreciated based on their nature however the municipal entity assesses at each reporting date whether there is a need for impairment.

The class of heritage assets are carried at its cost less any accumulated impairment losses.

IMPAIRMENT

Refer to accounting policy number 1,21

DERECOGNITION

The carrying amount of a heritage asset is derecognised:

Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably.

At initial recognition, the municipal entity measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

SUBSEQUENT MEASUREMENT

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. The assumptions for determining the fair value of the Investment property are set out in the note to the Financial Statements.

Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

IMPAIRMENT - INVESTMENT PROPERTY HELD AT COST

Refer to accounting policy number 1,21

DERECOGNITION

Investment property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property.

All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

1,6 BIOLOGICAL ASSETS

RECOGNITION

A biological asset or agricultural produce is recognised when, and only when:

MEASUREMENT

Biological assets are measured at their fair value less estimated point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value.

An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets where fair value cannot be determined, to write down the cost, less residual value.

INITIAL RECOGNITION

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

INITIAL MEASUREMENT

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

INVESTMENTS AT AMORTISED COSTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

INVESTMENT AT FAIR VALUE

Investments, which represent investments in residual interest for which fair value can be measured reliably, are subsequently measured at fair value.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

INVESTMENT AT COST

Investments at cost, which represent investments in residual interest for which there is no quoted market price and for which fair value cannot be measured reliably, are subsequently measured at cost.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments in note 1,22. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

TRADE PAYABLES AND BORROWINGS

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

CASH AND CASH EQUIVALENTS

The equity method involves recognising the investment initially at cost, then adjusting for any change in the investor's share of net assets of the associate since it acquired it. A single line-item in the Statement of Financial Performance presents the investor's share of the associate's surplus or deficit for the year.

The municipal entity commences accounting for an investment in an associate from the date that significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. Investments that are retained in whole or in part are subsequently accounted for in accordance with the accounting policies on subsidiaries, joint ventures or financial instruments depending on the nature of the retained investment.

The municipal entity uses the most recent available financial statements of the associate in applying the equity method. Where the reporting periods of the associate and the municipal entity are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipal entity makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipal entity.

1,11 INTEREST IN JOINT VENTURE

The entity has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The entity recognises its interest in the joint venture using the proportionate consolidation method. The entity combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its financial statements. The financial statements of the joint venture are prepared for the same reporting period as the entity. Adjustments are made where necessary to bring the accounting policies in line with those of the entity.

Adjustments are made in the entity's financial statements to eliminate the entity's share of intra-group balances, transactions and unrealised gains and losses on such transactions between the entity and its joint venture. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the entity ceases to have joint control over the joint venture.

Upon loss of joint control, the entity measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in surplus or deficit. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

1,12 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1,13 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipal entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1,14 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1,15 PROVISIONS

Provisions are recognised when the municipal entity has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

DERECOGNITION

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

MUNICIPAL ENTITY AS A LESSOR

RECOGNITION

For those leases that meet the definition of a finance lease, where the entity is the lessor, the entity derecognises the asset subject to the lease at the inception of the lease. Along with the derecognition of the asset the entity recognises a finance lease receivable. Finance lease income is allocated to between the finance lease receivable and finance income using the effective interest rate method and the resulting finance income is recognised in the Statement of Financial Performance as it accrues.

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, in the period that the income accrues.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

MEASUREMENT

Finance lease receivables are recognised at an amount equal to the entity's net investment in the lease. This net investment in the lease is calculated as the sum of the minimum future lease payments and unguaranteed residual value discounted over the lease term at the rate implicit in the lease.

Rental Income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

DERECOGNITION

Finance lease receivables are derecognised when the entity's right to the underlying cash flows expire or when the entity no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

1,18 REVENUE

REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

RECOGNITION

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

b) The amount of revenue can be measured reliably; and

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipal entity ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1,20 RETIREMENT BENEFITS

SHORT TERM EMPLOYEE BENEFITS

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

1,21 IMPAIRMENT OF NON-FINANCIAL ASSETS

RECOGNITION

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount.

MEASUREMENT

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash generating unit.

An asset is part of a cash generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

For cash generating assets the value in use is determined as a function of the discounted future cash flows from the asset. In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Where the asset is a non-cash generating asset the value in use is determined through depreciated replacement cost, restoration cost approach or service units approach.The decision to the approach to use is dependent on the nature of the identified impairment.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

REVERSAL OF IMPAIRMENT

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

IMPAIRMENT OF SPECIFIC NON-FINANCIAL ASSETS

PROPERTY, PLANT AND EQUIPMENT

1,23 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).
The municipal entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.
The municipal entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events; where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1,24 Commitments

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources.
Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance, but are included in the disclosure notes. A distinction is made between capital and operating commitments.
Items are classified as commitments when an entity has committed itself to future transactions that will normally result in outflow of cash.
Disclosures are required in respect of unrecognised contractual commitments. Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met.
- Contracts should relate to something other than the routine, steady, state business of the entity - therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1,25 Related parties

The municipal entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are related parties.
A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.
Management are those persons responsible for planning, directing and controlling the activities of the municipal entity, including those charged with the governance of the municipal entity in accordance with legislation, in instances where they are required to perform such functions.
Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipal entity.

	Note	2016 R	2015 R
2 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand		2 000	925
Cash at bank		8 485	132 358
Call deposits		4 050 763	-
		4 061 247	133 283
The Municipal entity has the following bank accounts: -			
Current Account (Primary Bank Account)			
Absa Bank: Account Number 4057525673		8 485	132 358
Cash book balance at beginning of year		132 358	113 359
Cash book balance at end of year		8 485	132 358
Bank statement balance at beginning of year		132 359	113 359
Bank statement balance at end of year		8 485	132 359
Call deposits			
Investec Bank: Account Number 1100484451450		1 407 931	-
Investec Bank: Account Number 1100484451452		642 832	-
Investec Bank: Account Number 1100484451499		2 000 000	-
Investec Bank: Account Number 1100484451500		-	-
Cash book balance at beginning of year		-	1 616 158
Cash book balance at end of year		4 050 763	-
Bank statement balance at beginning of year		-	1 616 158
Bank statement balance at end of year		4 050 763	-
Cash on hand		2 000	925
Total cash and cash equivalents		**4 061 247**	**133 283**
Total bank overdraft		-	-

3 TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Note	2016 R	2015 R
Grants		-	1 800 000
Other debtors		16 000	-
Total		**16 000**	**1 800 000**

	Note	2016 R	2015 R

5 INTANGIBLE ASSETS

5 Reconciliation of carrying value

	Computer Software R	Other* R	Total R
as at 1 July 2015	**24 263**	-	**24 263**
Cost	52 387	-	52 387
Accumulated amortisation and impairment losses	(28 124)	-	(28 124)
Acquisitions	-	-	-
Amortisation	(2 938)	-	(2 938)
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated amortisation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2016	**21 325**	-	**21 325**
Cost	52 387	-	52 387
Accumulated amortisation and impairment losses	(31 062)	-	(31 062)

5 Reconciliation of carrying value

	Computer Software R	Other* R	Total R
as at 1 July 2014	**27 888**	-	**27 888**
Cost	52 387		52 387
Accumulated amortisation and impairment losses	(24 499)		(24 499)
Acquisitions	-	-	-
Amortisation	(3 625)	-	(3 625)
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated amortisation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2015	**24 263**	-	**24 263**
Cost	52 387	-	52 387
Accumulated amortisation and impairment losses	(28 124)	-	(28 124)

	Note	2016 R	2015 R
11 INTEREST EARNED - EXTERNAL INVESTMENTS			
Bank		138 555	38 878
Total interest		138 555	38 878
12 GOVERNMENT GRANTS AND SUBSIDIES			
Grants - Hibiscus Coast Municipality		1 600 000	1 600 000
Grants - Ugu District Municipality		5 250 000	5 000 000
Grants - Ugu South Coast Tourism		31 743	-
Total Government Grant and Subsidies		6 881 743	6 600 000
13 OTHER INCOME			
Other income		79 174	85 523
Total Other Income		79 174	85 523
14 EMPLOYEE RELATED COSTS			
Salaries and Wages		3 009 650	2 409 083
Contributions for UIF, pensions and medical aids		164 722	954 427
Leave pay		140 433	72 927
Total		3 314 805	3 436 437
Remuneration of the Chief Executive Officer - G Mazibuko			
Annual Remuneration		-	589 489
Travel, motor car, accommodation, subsistence and other allowances		-	135 684
Contributions to UIF, Medical and Pension Funds		-	100 024
Leave pay		-	40 026
Total		-	865 223
Remuneration of the Chief Executive Officer (Acting) - EJ Crutchfield			
Annual Remuneration		848 689	-
Contributions to UIF, Medical and Pension Funds		8 267	-
Total		856 956	-
Remuneration of General Manager: Finance and Human Resources - KMN Duma			
Annual Remuneration		264 486	489 742
Travel, motor car, accommodation, subsistence and other allowances		75 481	136 076
Contributions to UIF, Medical and Pension Funds		21 707	54 472
Leave pay		96 021	-
Total		457 695	680 290
Remuneration of General Manager: Project Manager - S Chagi			
Annual Remuneration		257 241	477 819
Travel, motor car, accommodation, subsistence and other allowances		80 614	154 122
Contributions to UIF, Medical and Pension Funds		24 016	49 805
Leave pay		44 412	-
Total		406 283	681 746
15 DIRECTORS' FEES			
Directors' Remuneration		437 091	300 413
Total		437 091	300 413
For services as directors			
S Madikiza		-	44 700
SJ Nzimande		48 000	38 425
SD Dlomo		98 965	44 687
EJ Crutchfield		-	70 146
C van der Slikke		-	45 500
N Zamisa		-	56 954
VK Naidoo		57 522	-
ZP Mthuli		39 406	-
HT Shezi		52 973	-
LG Shezi		62 210	-
EM Zungu		43 530	-
B Zulu		34 486	-
Total		437 091	300 412

16 DEPRECIATION AND AMORTISATION EXPENSE

	Note	2016 R	2015 R
Written off by the Board		(6 141)	(54 640)
To be recovered – contingent asset		-	-
Fruitless and wasteful expenditure awaiting condonement		-	-

Incident	Disciplinary steps/criminal proceedings	2016	2015
Late cancellations	*No disciplinary steps were taken.*	980	-
Penalties and interest on late payments	*No disciplinary steps were taken.*	5 161	412

22.2 Irregular expenditure

Reconciliation of irregular expenditure

	2016	2015
Opening balance	1 679 631	2 428 582
Irregular expenditure current year	37 384	2 386 435
Written off by the Board	(1 679 631)	(3 135 386)
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	37 384	1 679 631

Incident	Disciplinary steps/criminal proceedings	2016	2015
Non-adherence to Supply Chain process	*No disciplinary steps were taken.*	37 384	2 386 435

22.3 Section 36 Deviations

	2016	2015
Sole supplier - s36(1)(a)(ii)	15 960	12 934
Impractical or impossible to follow the official procurement process - S36(1)(a)(v)	339 975	-
Total	355 935	12 934

23 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

23.1 Contributions to organised local government

	2016	2015
Opening balance	-	-
Council subscriptions	-	-
Amount paid - current	-	-
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-

23.2 Audit fees

	2016	2015
Opening balance	19 335	1 154
Current year audit fee	356 125	338 669
Amount paid - current year	(352 446)	(319 334)
Amount paid - previous years	(19 335)	(1 154)
Balance unpaid (included in payables)	3 679	19 335

23.3 VAT

VAT input receivables and VAT output payables are shown in note 7. All VAT returns have been submitted by the due date throughout the year.

23.4 PAYE and UIF

	2016	2015
Opening balance	-	-
Current year payroll deductions	827 858	680 293
Amount paid - current year	(827 858)	(680 293)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-

23.5 Pension and Medical Aid Deductions

	2016	2015
Opening balance	-	-
Current year payroll deductions and company Contributions	225 454	274 134
Amount paid - current year	(225 454)	(274 134)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-

24 Operating leases commitments

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

	Note	2016 R	2015 R

29 RISK MANAGEMENT

29.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits and cash equivalents. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The municipal entity has a sound credit control and debt collection policy and obtains collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipal entity uses other publicly available financial information and its own trading records to assess its major customers. The municipal entity's exposure of its counterparties are monitored regularly.

Financial assets exposed to credit risk at year end were as follows:

	2016 R	2015 R
Cash and cash equivalents	4 061 247	133 283

These balances represent the maximum exposure to credit risk.

29.2 Liquidity risk

The municipal entity's risk to liquidity is a result of the funds available to cover future commitments. The municipal entity manages liquidity risk through an ongoing review of future commitments and credit facilities.
Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.
The table below analyses the municipal entity's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2017	Not later than one month	Later than one month and not later than three months
Trade and other payables	117 439	-

29.3 Interest rate risk

As the municipal entity has no significant interest-bearing assets, the municipal entity's income and operating cash flows are substantially independent of changes in market interest rates.

30 Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.
The municipal entity's current assets exceed its current liabilities and has accumulated surplus of R3 335 959.

South Coast Development Agency NPC
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2016

	Cost / Revaluation					Accumulated Depreciation					
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R
Other Assets											
Office Equipment	130 526	19 932	(14 303)	-	136 155	(78 129)	(8 784)	5 364	-	(81 549)	54 606
Furniture & Fittings	176 193	25 213	-	-	201 406	(107 297)	(11 082)	-	-	(118 379)	83 027
Computer Equipment	94 170	92 377	-	-	186 547	(37 105)	(12 920)	-	-	(50 025)	136 522
	400 889	137 522	(14 303)	-	524 108	(222 531)	(32 785)	5 364	-	(249 953)	274 155
Finance Lease Assets											
Other Assets	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Total	**400 889**	**137 522**	**(14 303)**	**-**	**524 108**	**(222 531)**	**(32 785)**	**5 364**	**-**	**(249 953)**	**274 155**

South Coast Development Agency NPC
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2015

	Cost / Revaluation					Accumulated Depreciation					
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R
Other Assets											
Office Equipment	126 459	4 067	-	-	130 526	(69 296)	(8 833)	-	-	(78 129)	52 397
Furniture & Fittings	176 193	-	-	-	176 193	(90 093)	(17 204)	-	-	(107 297)	68 896
Computer Equipment	81 854	12 316	-	-	94 170	(27 123)	(9 982)	-	-	(37 105)	57 065
	384 506	16 383	-	-	400 889	(186 512)	(36 019)	-	-	(222 531)	178 358
Finance Lease Assets											
Other Assets		-	-	-	-		-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Total	**384 506**	**16 383**	**-**	**-**	**400 889**	**(186 512)**	**(36 019)**	**-**	**-**	**(222 531)**	**178 358**

South Coast Development Agency NPC

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2016

2 015 Actual Income	2 015 Actual Expenditure	2 015 Surplus / (Deficit)		2 016 Actual Income	2 016 Actual Expenditure	2 016 Surplus / (Deficit)
R	R	R		R	R	R
6 724 401	6 530 502	193 899	Executive	7 099 472	5 274 189	1 825 283
6 724 401	**6 530 502**	**193 899**		**7 099 472**	**5 274 189**	**1 825 283**
-	-	-	Less: Inter-Department Charges	-	-	-
6 724 401	**6 530 502**	**193 899**	Total	**7 099 472**	**5 274 189**	**1 825 283**